

1998 Credit For Employment of TANF Recipients

**Arizona Form
320**

Phone Numbers

If you have questions, please call one of the following help numbers:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

You may also visit our web site at:
www.revenue.state.az.us

General Instructions

For taxable years beginning on or after January 1, 1998, Arizona law provides a credit for employers that employ recipients of Temporary Assistance for Needy Families (TANF). TANF is assistance granted under Section 403 of Title IV of the Social Security Act as it existed on August 21, 1996.

The credit for employing TANF recipients is equal to:

1. One-fourth of the taxable wages paid to each qualified employee in the first year or partial year of employment, not to exceed \$500 per net new employee.
2. One-third of the taxable wages paid to each previously qualified employee in the second year of continuous employment, not to exceed \$1,000 per net new employee.
3. One-half of the taxable wages paid to each previously qualified employee in the third year of continuous employment, not to exceed \$1,500 per net new employee.

You cannot take a deduction for the same wages for which you take a credit. You must add the amount of the credit figured for the taxable year to your Arizona gross income.

If the allowable credit exceeds your income tax liability, you may carry over any unused amount for up to five taxable years.

This credit is available to individuals, corporations and S corporations. A partnership may pass the credit through to its partners. An S corporation may also pass the credit through to its shareholders.

For more information on this credit, see the Arizona Department of Revenue brochure, Pub 708, *Welfare Reform Tax Credits*. To get a copy of this brochure, call one of the help numbers listed in these instructions.

Part I - Business Information

Lines 1 through 3 -

On lines 1, 2 and 3, enter the name, address, Arizona withholding number and federal employer identification number of the business that employs qualifying employees.

Part II - Net Increase in Qualified Employment Positions

Lines 4 and 5 -

This credit is based on net increases in qualified employment positions. You must determine the net increase in the number of qualified positions by comparing the average number of qualified employment positions during the taxable year with the immediately preceding taxable year. This comparison is based on the report that you submit to the Arizona Department of Economic Security for unemployment purposes.

On line 4, enter the average number of qualified employment positions during the current taxable year. On line 5, enter the average number of qualified employment positions during the immediately preceding taxable year.

A qualified employment position is a position that meets all of the following.

- The position must be classified as full-time employment.
- The position must provide health insurance coverage if the employer offers the coverage to other employees not on TANF.
- The position must provide compensation equal to the minimum wage or a wage comparable to that paid other employees not receiving TANF in the same job classification.
- The position must be listed on the report that you submit to the Arizona Department of Economic Security for unemployment purposes.

If the business is a newly established business, the business would not have any qualified employment positions during the immediately preceding taxable year. A newly established business would have zero average employment positions during the immediately preceding taxable year. This business would enter zero on line 5 of the Arizona Form 320.

If the business is an established business, the business must figure the average qualified employment positions of the immediately preceding taxable year using the worksheet below. Line 15 of the worksheet's immediately preceding taxable year column is the amount you should enter on line 5 of the Arizona Form 320.

Complete the worksheet below to determine the average employment.

On lines 1 through 12 below, enter the number of qualifying employment positions the business had during each month of the current taxable year and the immediately preceding taxable year.

	Line 4 Column Current Taxable Year	Line 5 Column Immediately Preceding Taxable Year
1. January		
2. February		
3. March		
4. April		
5. May		
6. June		
7. July		
8. August		
9. September		
10. October		
11. November		
12. December		
13. Total (lines 1-12)		
14. Total number of months during the taxable year in which you were in business		
15. Average - <i>Divide the amount on line 13 by the amount on line 14. Do not round the quotient</i>		

Line 6 - Net Increase in the Number of Qualified Employment Positions

Subtract line 5 from line 4. If this amount is less than one, enter zero. If this amount contains a decimal, round down to the next whole number. This is your net increase in qualified employment positions.

NOTE: If the amount shown on line 6 is zero or less, you may not claim this credit for qualified employees hired during the year.

Line 7 -

You cannot take this credit for any position that is eligible for any other Arizona employment credit based on wages paid. On line 7, enter the number of positions on line 6 that are eligible for any other income tax credit under Arizona law.

Line 8 -

Subtract line 7 from line 6. This is the maximum number of new employment positions for which you may claim a credit for employees in their first year of employment.

Part III - Qualifying New Employees

Line 9 -

Enter the total number of new employees hired during the year.

Line 10 - Qualified New Employees

Enter the number of employees shown on line 9 who are qualified employees.

A qualified employee is an employee who meets all of the following criteria.

- The employee is a resident of Arizona.
- The employee was a recipient of TANF at the time he or she was hired. The employer should obtain documentation from the employee substantiating that the employee was a TANF recipient on the date of hire.
- The employee was employed for at least ninety days during the first taxable year. An employee hired with less than ninety days left in the taxable year is considered to be a new employee in the next taxable year. Periods when the employee's wages are subsidized under Section 46-299 cannot be counted as employment time.
- The employee was not employed by the taxpayer within twelve months before the current date of hire.

Line 11 - Maximum Number of Qualifying Net New Employees

Enter the smaller of line 8 or line 10. This is the maximum number of qualified net new employees for which you may claim a credit.

Part IV - Credit Calculation for Qualified Employees

Lines 12 through 15 and Arizona Form 320-1 and Arizona Form 320-2

Important: Before completing lines 12 through 15, Part IV of Arizona Form 320, complete the Arizona Form 320-1 and Form 320-2.

Form 320-1 Qualifying Employees

List each employee who is a qualified employee. List each employee's name and social security number. Also list the date each employee was hired. You must also answer the questions in columns d and e. Since 1998 is the first year of the credit, list only employees in their first year of employment.

Form 320-2 Qualifying Employees for Which You Are Taking the Credit

NOTE: For 1998, you may only take the credit for employees in their first year of employment.

List each qualifying employee from Form 320-1 for whom you are taking the credit. List the employees' names and

social security numbers. Complete columns c through d as instructed.

The maximum number of qualified new employees for which you may claim a credit is limited to the net increase in qualified employment positions that do not qualify for any other Arizona credit.

Line 12 - Column a

Enter the number of qualifying net new employees from Arizona Form 320-2, line 12, column c1.

NOTE: *The maximum number of qualifying net new employees entered on line 12, column (a), cannot exceed the number of qualified net new employees entered on line 11 (Part III).*

Line 12 - Column b

Enter on line 12, column (b), the maximum allowable wages for all of your qualifying first year employees from Arizona Form 320-2, line 12, column e1.

Line 12d - Allowable Credit

Multiply the amount entered on line 12, column (b), by the percent shown on line 12, column (c). Enter this amount on line 12, column (d). This is the allowable credit for qualifying net new employees.

For 1998, skip lines 13 and 14. Enter the amount on line 12, column d, on line 15, column d.

Line 13 - Column a

Enter the total number of previously qualified employees in the second year of continuous employment from Arizona Form 320-2, line 12, column c2.

Arizona's statutes do not require that the employee who is claimed in the second year of continuous employment be the same employee who was claimed in the first year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year two, the business can claim the second year credit for another previously qualified employee who is in the second year of continuous employment.

Line 13 - Column b

Enter the maximum allowable wages for all previously qualified employees in the second year of continuous employment, from Arizona Form 320-2, line 12, column e2.

Line 13 - Column d

Multiply the amount shown on line 13, column (b), by the percent shown on line 13, column (c). Enter this amount on line 13, column (d). This is the allowable credit for previously qualified employees in their second year of continuous employment.

Line 14 - Column a

Enter the total number of previously qualified employees in the third year of employment from Arizona Form 320-2, line 12, column c3.

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year three, the business can claim the third year credit for another previously qualified employee who is in the third year of continuous employment.

Line 14 - Column b

Enter the maximum allowable wages for all previously qualified employees in the third year of continuous employment from Arizona Form 320-2, line 12, column e3.

Line 14 - Column d

Multiply the amount shown on line 14, column (b), by the percent shown on line 14, column (c). Enter this amount on line 14, column (d). This is the allowable credit for previously qualified employees in their third year of continuous employment.

Line 15 -

Add the amounts in column (a) on lines 12, 13 and 14; enter the total in column (a) on line 15. Add the amounts in column (d) on lines 12, 13 and 14; enter the total in column (d) on line 15. The amount shown on line 15, column (a), is the total number of qualified employees for which you are claiming the credit. The amount shown on line 15, column (d), is the total allowable credit for qualified employees for the current taxable year.

Part V - S Corporation Election and Shareholder's Share of the Credit

Line 16 -

The S corporation must complete this portion of the Form 320 in order for the S corporation or its shareholders to claim this credit. The S corporation must make an irrevocable election either to claim the credit or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

Lines 17 through 19 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 17 through 19.

S corporations must complete Form 320, Parts I through IV. Then complete Part V, lines 17 through 19, separately for each shareholder. The S corporation must furnish each shareholder with a copy of the completed Form 320.

Each shareholder must complete Parts VII and VIII.

Part VI - Partnerships Only - Partner's Share of Credit

Partnerships must complete Form 320, Parts I through IV. Then complete Part VI, lines 20 through 22, separately for each partner. The partnership must furnish each partner with a copy of the completed Form 320.

Each partner must complete Parts VII and VIII.

Part VII - Available Carryforward

Lines 23 through 27 -

For 1998, skip lines 23 through 27. Since this credit is available for taxable years beginning from January 1, 1998, there is no available carryover for this credit from taxable years beginning before that date.

Complete lines 23 through 27 only if the allowable credit for a prior year(s) exceeded your Arizona income tax liability for that prior year.

Each partner or S corporation shareholder must complete Part VII for the computation of the available carryforward of the credit passed through by the partnership or S corporation.

Line 23 -

In columns (a) through (e), enter the taxable year(s) from which the credit is carried forward.

Line 24 -

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

Line 25 -

In columns (a) through (e), enter the amount of the tax credit for that taxable year which you have previously used.

Line 26 -

In columns (a) through (e), subtract the amount on line 25 from the amount on line 24. Enter the result.

Line 27 -

Add the amounts in columns (a) through (e) on line 26. Enter the total on line 27, column (f).

Part VIII Total Available Credit

Line 28 -

Individuals, corporations, or S corporations, enter the amount from Part IV, line 15, column (d). S corporation shareholders, enter the amount from Part V, line 19. Partners of a partnership, enter the amount from Part VI, line 22.

Line 29 -

Enter the amount from Part VII, line 27, column (f).

Line 30 -

Add lines 28 and 29. Enter the total.

Individuals, also enter the total available credit on Arizona Form 301, Part I, line 14.

Corporations, also enter the total available credit on Arizona Form 300, Part I, line 15.